

Frequently Asked Questions About Arizona Withholding

Q: How do I obtain an Arizona withholding number?

A: Send the completed Arizona Joint Tax Application to the department at the address listed on the form.

Q: Do I need a federal employer identification number to obtain an Arizona withholding number?

A: Every employer needs to have a federal employer identification number (FEIN). If you have applied for your FEIN and have not received it yet, write "applied for" in the space provided for the FEIN on the Arizona Joint Tax Application.

Q: How do I report a change of address for my Arizona withholding number?

A: Complete the department's update card for withholding and transaction privilege (sales) tax.

Q: What should I do if two Arizona withholding numbers are issued?

A: Notify the department's License and Registration Section that two Arizona withholding numbers were issued. The department will tell you which number to use and will cancel the other number.

Q: Is there a difference between my Arizona withholding number and my Arizona transaction privilege tax license number?

A: Yes. The two numbers are used for different purposes. It is important that you list the correct number for the particular tax type on forms and correspondence sent to the department. Use the Arizona withholding number on withholding forms and correspondence regarding withholding sent to the department. Use the Arizona transaction privilege tax license number on transaction privilege tax forms and correspondence regarding transaction privilege tax sent to the department.

Q: How do I know which withholding return form to file?

A: **Form A1-APR, Annual Payment Withholding Tax Return** – the department will notify you if you qualify to use this form. [If you qualify to use this form, do not file the Forms A1-QRT, A1-QRT (EZ), A1-R and A1-WP.]

Form A1-QRT, Quarterly Withholding Tax Return – use this form if you are required to make your Arizona withholding payments on a semi-weekly or one-banking day basis, or you are a monthly payor who incurred a one-banking day payment obligation during the quarter.

Form A1-QRT(EZ), Quarterly Withholding Tax Return - Short Form – use this form if you are required to make your Arizona withholding payments

on a quarterly basis or on a monthly basis for the entire quarter.

Form A1-R, Withholding Reconciliation Tax Return – use this form if you file the Form A1-QRT or Form A1-QRT(EZ). This form is filed annually to reconcile your withholding liability and withholding payments for each quarter of the year with the total amount withheld as shown on the federal Forms W-2, W-2c, W-2G, and 1099-R. It is also used to transmit the state copies of these federal forms.

Q: What are the filing due dates for the withholding returns?

A: **Form A1-APR and Form A1-R:** February 28 of the year following the close of the calendar year for which the payments were made. If February 28 is a Saturday, Sunday or legal holiday, the return is due on the next business day.

Form A1-QRT and Form A1-QRT(EZ): First quarter - April 30; second quarter - July 31; third quarter - October 31; fourth quarter - January 31.

Q: How do I obtain an extension of time to file the Form A1-APR or Form A1-R?

A: **Form A1-APR extension:** send the completed Form A1-APR EXT and the required annual withholding payment to the department on or before the due date of the return.

Form A1-R extension: send the completed Form A1-R EXT to the department on or before the due date of the return.

Q: Does the extension of time to file the Form A1-APR or Form A1-R apply to the federal Forms W-2, W-2c, W-2G, and 1099-R?

A: Yes. The state copies of the federal forms are considered an integral part of the reconciliation required on these forms. The extension granted to file the Form A1-APR or Form A1-R applies to the state copies of the federal forms.

Q: May I obtain an extension of time to file the Form A1-QRT or Form A1-QRT(EZ)?

A: No. Arizona law does not allow the department to grant an extension of time to file these returns.

Q: Do I have to send a completed Form A1-WP to the department with each withholding payment?

A: No. Some employers do not need to use the Form A1-WP, *Payment of Arizona Income Tax Withheld*, to transmit their withholding payments.

EMPLOYERS REQUIRED TO MAKE PAYMENTS ON A QUARTERLY BASIS: Do not use the Form A1-WP. Send the payment with the completed Form A1-QRT(EZ).

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EMPLOYERS REQUIRED TO MAKE PAYMENTS ON A MONTHLY, SEMI-WEEKLY OR ONE-BANKING DAY BASIS: Use Form A1-WP to make your withholding payments if you do not make your withholding payments via electronic funds transfer (EFT).

Q: How does an employer know whether to make Arizona withholding payments on a quarterly basis or more frequently?

A: QUARTERLY BASIS PAYMENTS: An employer must make its Arizona withholding payments on a quarterly basis if the average amount of Arizona income taxes withheld during the preceding four calendar quarters does not exceed \$1,500.

MORE FREQUENT PAYMENTS: An employer must make its Arizona withholding tax payments at the same time as its federal withholding deposits if the average amount of Arizona income taxes withheld during the preceding four calendar quarters exceeds \$1,500.

WHY DOES THE EMPLOYER MAKE THIS COMPUTATION? Arizona law requires an employer, at the beginning of each new quarter, to compute its average Arizona withholding tax liability for the preceding four calendar quarters. This calculation is performed to determine the correct Arizona withholding payment schedule.

HOW DOES THE EMPLOYER MAKE THIS COMPUTATION? An employer that has four full consecutive calendar quarters of Arizona withholding liability historical data must use the regular withholding payment schedule computation. An employer that does not have four full consecutive calendar quarters of Arizona withholding liability historical data must use the alternate withholding payment schedule computation. Refer to the "Arizona Withholding Liability/Payment Schedule" section of the Form A1-QRT or Form A1-QRT(EZ) instructions for further information.

Q: How does an employer who is required to make withholding payments on a quarterly basis report its quarterly withholding liability on the Form A1-QRT or Form A1-QRT(EZ)?

A: Enter the quarterly liability in sections DD AND Z as instructed on the form. Refer to the form instructions for further information.

Q: Does an employer who has a zero withholding tax liability for the quarter have to file the Form A1-QRT or Form A1-QRT(EZ)?

A: Yes. If this is a final return, check the withholding account cancellation box on page one of the form and indicate the reason for the cancellation on page two of the form.

Q: How does an employer who has a withholding overpayment obtain a refund?

A: **Overpayment listed on credit notice sent to employer after processing of Form A1-QRT or Form A1-QRT(EZ):** The department will apply the credit to any existing liabilities. Do not use a credit until a credit notice has been received. A refund will not be issued unless a written request detailing the justification is submitted to the department. The top portion of the credit notice, or copy, should be attached to the written request. No refund will be issued once the credit is applied to a liability.

Overpayment on line 10 of Form A1-APR: follow the instructions for line 10 of the form.

Overpayment on line 7 of Form A1-R: follow the instructions for line 7 of the form.

Q: How do I know if a worker is an employee or an independent contractor for Arizona withholding tax purposes?

A: Refer to Arizona Withholding Tax Ruling WTR 93-3. Arizona withholding is a percent of the amount of federal income tax withheld from the payment of compensation for services performed in Arizona. Therefore, the determination by the Internal Revenue Service regarding a worker's employment status (employee or independent contractor) controls the determination for Arizona withholding tax purposes.

Q: How do I compute the amount of tax to withhold from compensation paid to my employees for services performed in Arizona?

A: The employee must complete Form A-4, *Employee's Arizona Withholding Percentage Election*, within the first five days of employment. If the employee does not complete the form, the employer must withhold at the statutory minimum rate (10% or 18%) depending on the amount of the employee's annual compensation. Refer to the Employer's Instructions for the Form A-4 for further information on the employer's responsibilities.

Arizona withholding is a percent of the amount of federal income tax withheld from the payment of compensation to the employee for services performed in Arizona. Arizona does not have withholding allowances. If there is no federal income tax withheld, you cannot withhold Arizona income tax.

Q: How does an employee change the amount of Arizona income tax withheld?

A: The employee must complete Form A-4 to choose a different withholding percentage option. Arizona withholding is a percent of the amount of federal income tax withheld from the compensation payment.

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Therefore, the employee cannot choose to have an additional dollar amount withheld.

Q: Does Arizona law require mandatory withholding from compensation paid to an Arizona resident employee who works outside of Arizona?

A: No. Arizona withholding from the payment of compensation to an Arizona resident employee who performs services outside of Arizona is voluntary. The employee and employer must complete Form A-4V, *Voluntary Withholding Request for Arizona Resident Employed Outside of Arizona*.

Q: Does Arizona law require mandatory withholding from compensation paid to a nonresident employee who works in Arizona?

A: Yes, unless the employee qualifies for certain limited exceptions. Refer to the Employer's Instructions for the Form A-4 and the Form WEC for further information.

Q: Do I have to withhold Arizona income tax from compensation paid to Native Americans?

A: No, if the employee meets the criteria listed on the Form WECI. The employee must complete the form.

Q: Do I have to use magnetic media to file the state copies of the federal Forms W-2, W-2c, W-2G, and 1099-R?

A: No. You may file the state copies of the federal forms on paper or on magnetic media. The department encourages, but does not require, the employer to use magnetic media filing for 250 or more federal forms.

Q: How can I obtain additional information (including specifications) regarding magnetic media filing of the state copies of federal Forms W-2, W-2c, W-2G, and 1099-R?

A: Refer to Publication 701, *Magnetic Media Reporting*, for information regarding magnetic media specifications for reporting federal forms W-2, W-2c, W-2G and 1099-R.

Q: What are the Arizona information return reporting requirements?

A: The Arizona law requiring general information return reporting was repealed effective August 21, 1998. Refer to Arizona Withholding Tax Ruling WTR 99-1 for further information. The employer must file the state copies of the federal Forms W-2, W-2c, W-2G, and 1099-R as part of the reconciliation required in Arizona Forms A1-APR and A1-R.

Q: Does Arizona law require mandatory withholding from pension and annuity payments?

A: No. Arizona withholding from an amount paid as a pension or annuity is voluntary. The recipient may

request voluntary Arizona income tax withholding by completing the Form A-4P or by sending a letter to the payor of the pension or annuity. The recipient may change the amount of tax withheld or terminate withholding by the same methods. Refer to Arizona Withholding Tax Ruling WTR 99-2.

Q: An employer withholds Arizona income tax from employee compensation and from amounts paid as a pension or annuity. Does the employer have to obtain two Arizona withholding numbers?

A: No. The employer may use the same withholding number for both types of withholding.

Q: Does Arizona require separate return reporting of nonpayroll withholding from federal Forms W-2G and 1099-R?

A: No. Employee compensation withholding and nonpayroll withholding (on federal Forms W-2G and 1099-R) may be reported in the same withholding return.

Q: How do I obtain information regarding Arizona unemployment insurance?

A: Unemployment insurance is administered by the Arizona Department of Economic Security. Use the ADOR Internet home page link under "withholding tax". Click on "unemployment information".

Q: How do I obtain information regarding new hire reporting for Arizona?

A: New hire reporting is administered by the Arizona Department of Economic Security. Use the ADOR Internet home page link under "withholding tax". Click on "unemployment info", then click on "new hire reporting".

Q: How do I obtain information regarding the Arizona job training tax?

A: The Arizona job training tax is administered by the Arizona Department of Economic Security. Use the ADOR Internet home page link under "withholding tax". Click on "unemployment information", then click on "job training tax".

Q: How do I obtain information regarding Arizona workers' compensation coverage?

A: Workers' compensation is administered by the Industrial Commission of Arizona. Information is available on the commission's Internet home page @ www.ica.state.az.us.